

Improving Fundraising Effectiveness by Managing Major Donors



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ABSTRACT

Catholic organizations have long depended on direct mail as their primary source of ongoing support for their missions. With documented changes in the effectiveness of direct mail fundraising, development professionals have been exploring how to create or expand a major donor program. Limitations of time and staff place the greatest burden on already strapped development offices meeting mail drop deadlines and event schedules. A major donor program begins with an organization-wide commitment to identify, engage and cultivate major donors who are already a part of an organization and committed to its mission. Such a commitment then leads to an integrated, balanced development program where staff and time are appropriately aligned resources.

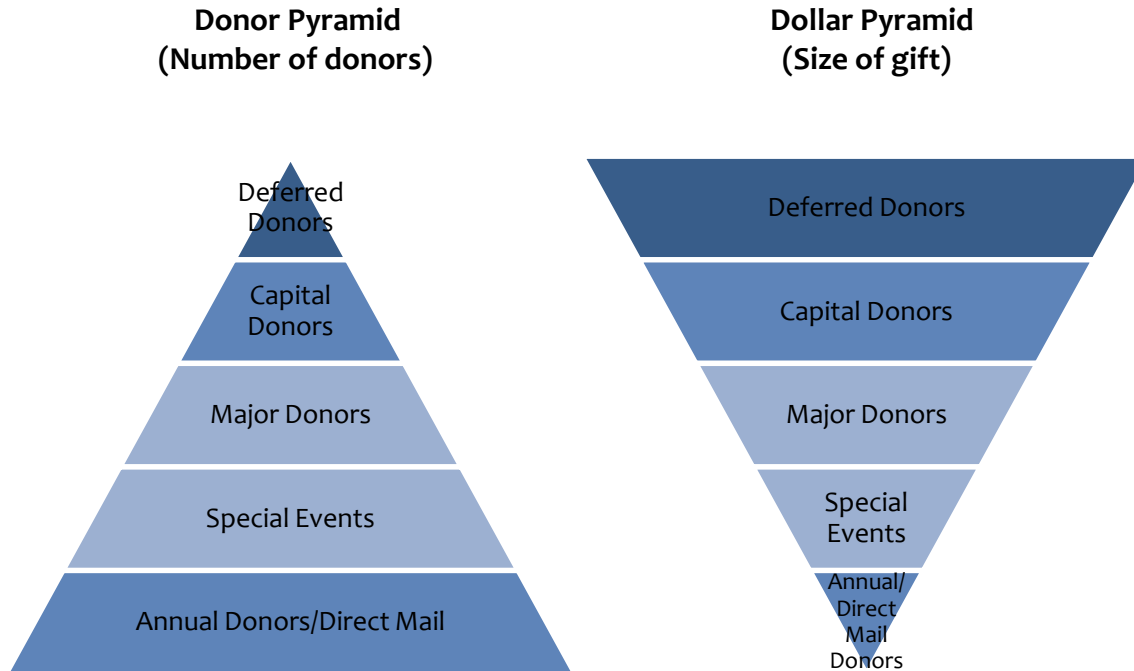
EXECUTIVE SUMMARY

This paper summarizes the findings of a 2011 survey of NCDC member organizations on the role of major donors in Catholic organizations and the challenges those organizations face in creating and sustaining a major donor program. Data used in the preparation of this paper is the Major Donor Survey of NCDC member organizations which American City Bureau, Inc. (ACB) conducted in April 2011.

On March 18, 2011, ACB sent a letter inviting 240 Catholic, non-profit organizations to participate in the Major Donor Survey. Organizations received an email reminder a week later. ACB conducted the online survey for a two-week-period. The survey received a 65 percent response rate. This high rate of response suggests a strong interest in the topic.

The overarching purpose of the development function for non-profit organizations is to secure financial support that sustains and advances the mission of the institution. To accomplish this, several fundraising methods are implemented, each having a shared purpose of raising money along with its own specific purpose.

The most common vehicle is direct mail which has a direct request for funds, maintains communications and seeks to acquire new donors. Special events are used to raise funds, cultivate and thank donors for their involvement, and introduce the mission to new people. Major donor programs seek larger gifts from a smaller number of donors, oftentimes for a specific need. Finally, planned or estate gifts, if solicited, are usually larger gifts for a targeted need or endowment. More often, bequests tend to be surprise gifts that are used for operational funding instead of an organization's long-term perpetuity, unless the gift is donor-designated.



Major donors represent a significant improvement in the cost-to-dollars raised ratio and signify a donor’s long-term investment in the organization. Indeed, this survey confirms that most Catholic organizations are acutely aware of this notion. However, gaining major donors and, hence major gifts, is a difficult task for the majority of small- to medium-sized Catholic not-for-profits primarily because of limits on time and personnel and the operational complexities at play on any given day. Most organizations have direct mail and special event functions. These are essential components as they serve as the foundation from which more advanced, more cost-effective methods of philanthropy are born. Moreover, most organizations fear a shift in their development focus to major gifts risks losing dollars through direct mail.

Despite limited resources Catholic development officers can become change agents by adopting a proactive approach and using development resources to more efficiently meet the challenge. A comprehensive, integrated development program, one that balances direct mail, special events and major donors, will lower the net cost of raising philanthropic dollars and provide financial security for their organizations.

MAJOR DONOR SURVEY RESULTS

In all, 240 organizations were invited to participate. Of those invited, 65 percent responded.

Q1: *Within what fundraising category does your organization fall?*

- Whatever We Bring In (WWBI) – 8 responses
- \$100,000 - \$500,000 (\$1 - \$5) – 17 responses
- Up to \$1mm (\$1mm) – 8 responses
- Up to \$5mm (\$5mm) – 11 responses
- Up to \$10mm (\$10mm) – 7 responses

Q2: *How many full or full-time equivalents are in your development office?*

The following table can be read as follows: Of the eight responses in the WWBI category, five have just one person in the development office; two groups have between two and four people working in the development office; and one group has between five and ten people working in the development office.

	Just Me	2 – 4	5 – 10
WWBI	5	2	1
\$1 - \$5	5	12	
\$1mm		6	1
\$5mm		3	8
\$10mm		1	6

Q3: *Is there a person on your staff whose PRIMARY responsibility is major gift development?*

	Yes	No
WWBI	2	6
\$1 - \$5	3	14
\$1mm	1	7
\$5mm	6	5
\$10mm	5	2

Q4: *What percentage of the funds you raise is through direct mail?*

	% of total funds raised
WWBI	76%
\$1 - \$5	67%
\$1mm	49%
\$5mm	71%
\$10mm	55%

Q5: *What percentage of the funds you raise is through raffles?*

	% of total funds raised
WWBI	8%
\$1 - \$5	3%
\$1mm	9%
\$5mm	2%
\$10mm	0%

Q6: *What percentage of the funds you raise is through special events?*

	% of total funds raised
WWBI	14%
\$1 - \$5	12%
\$1mm	22%
\$5mm	5%
\$10mm	1%

Q7: *What percentage of the funds you raise is through major gifts?*

	% of total funds raised
WWBI	1%
\$1 - \$5	9%
\$1mm	13%
\$5mm	10%
\$10mm	19%

Q8: *What percentage of the funds you raise is through planned gifts?*

	% of total funds raised
WWBI	1%
\$1 - \$5	11%
\$1mm	8%
\$5mm	13%
\$10mm	25%

Q9: *What percentage of your time/total staff time is devoted to direct mail?*

	% of total funds raised
WWBI	71%
\$1 - \$5	57%
\$1mm	44%
\$5mm	69%
\$10mm	61%

Q10: *What percentage of your time/total staff time is devoted to raffles?*

	% of total funds raised
WWBI	8%
\$1 - \$5	3%
\$1mm	9%
\$5mm	1%
\$10mm	0%

Q11: *What percentage of your time/total staff time is devoted to special events?*

	% of total funds raised
WWBI	18%
\$1 - \$5	18%
\$1mm	28%
\$5mm	6%
\$10mm	7%

Q12: What percentage of your time/total staff time is devoted to major gifts?

	% of total funds raised
WWBI	2%
\$1 - \$5	14%
\$1mm	10%
\$5mm	15%
\$10mm	20%

Q13: What percentage of your time/total staff time is devoted to planned gifts?

	% of total funds raised
WWBI	1%
\$1 - \$5	7%
\$1mm	7%
\$5mm	7%
\$10mm	9%

Q14: What do you consider a major gift?

	\$ Amount
WWBI	1,000 – 5,000
\$1 - \$5	1,000 – 5,000
\$1mm	5,000 – 10,000
\$5mm	500 – 1,000
\$10mm	500 – 1,000

Q15: Our major gift program is...

WWBI	Limited
\$1 - \$5	We have a handful of major donors
\$1mm	We have a handful of major donors
\$5mm	We can list our top 50 donors
\$10mm	We can list our top 50 donors

Q16: Do you do face-to-face cultivation/solicitation of major donors?

WWBI	Some
\$1 - \$5	No
\$1mm	Some
\$5mm	Yes
\$10mm	Yes

Q17: What are the hurdles you face trying to raise major gifts?

	Most Significant	Second Most Significant
WWBI	Don't know prospects	Limited prospects
\$1 - \$5	Limited staff	Limited time
\$1mm	Limited time	Limited staff
\$5mm	Limited time	Limited staff
\$10mm	Lack of volunteers	Limited time

DEFINING MAJOR DONORS

According to *Giving USA 2011: An Annual Report on Philanthropy*, an annual publication of giving statistics produced by the Giving USA Foundation and the Center on Philanthropy at Indiana University, giving to charitable organizations in 2010 was \$290.89 billion. Of that 73 percent was given by *individuals*. When combined with bequests and gifts from family foundations, individual giving accounted for 87 percent of charitable gifts in 2010. Within this statistic are “mega-gifts” or those gifts that are so large that they can “move the percentage change of total giving by 1 percent from one year to the next”.¹ Such transformational gifts exist but are quite remote.

To implement an effective major donor program, an organization needs a clear understanding of what a major donor is. In the Major Donor Survey (MDS) participating organizations categorized themselves by the amount of funds they raise annually. The five set categories include:

- Whatever We Bring In
- \$100,000 - \$500,000
- Up to \$1mm
- Up to \$5mm
- Up to \$10mm

Each category was asked what it considers a “major gift” and the answers were revealing and a bit surprising. From the table below, the results show that larger organizations have a lower dollar threshold for qualifying a major gift while the smaller organizations held a higher threshold.

	\$ Amount
Whatever We Bring In	1,000 – 5,000
\$100 - \$500	1,000 – 5,000
Up to \$1mm	5,000 – 10,000
Up to \$5mm	500 – 1,000
Up to \$10mm	500 – 1,000

Given these results, a major gift can most straightforwardly be defined as \$1,000 and a major donor prospect is an individual that has the capacity to give \$1,000 annually.

¹ Giving USA presentation, slide 6

MAJOR DONORS IN THE DEVELOPMENT CONTINUUM

Throughout the MDS, responses definitively showed that organizations with a major gift program in place or with greater resources devoted to major gifts raised more money.

Another survey outcome was that while direct mail is inherent in Catholic fundraising culture, the overarching message is clear—Catholic organizations want to develop major gifts but struggle with how a major gifts program fits within their organizational structure and, more importantly, how to accommodate the time and financial and human resources to effectively implement such an effort.

While the recent recessions have brought with them a debate over the benefits of direct mail, one truism remains: direct mail is an important and necessary component in the fundraising vehicle mix. In addition to its function of raising annual operating funds, direct mail creates a vast donor pool from which major donors emerge.

Indeed, Catholic organizations are better positioned than many of their non-profit peers in that they already have established connections to major donor prospects through direct mail efforts. Mining databases and segmenting donors become critical next steps to a greater philanthropic return on investment.

It is important to view major gifts as a new layer in an organization's overall fundraising program. It is not meant to replace direct mail, but rather, capitalize on the strengths of a direct mail program.

For Catholic organizations this is a significant cultural shift. However, by establishing a major donor program, organizations can reduce their *reliance* on the more costly direct mail program and establish lasting relationships with donors who provide greater philanthropic return on investment and help advance and promote the mission.

As a result non-profits can transition their direct mail programs to be more acquisition focused on target audiences. Special events, also costly and time-consuming, can become opportunities for donor cultivation and stewardship as well as sources of operational support.

Major donor programs also provide an opportunity for organizations to engage volunteers in a meaningful way. Given the myriad operational structures found throughout the Catholic world, the best way to weave volunteers into major donor efforts will vary. What remains constant is the overall benefit to involving people of influence and affluence into major donor strategy.

CHALLENGES TO MAJOR DONOR PROGRAMS

The greatest challenges to creating or expanding a major donor program for MDS participants were time and resources. This is not just indicative of Catholic organizations but of their non-profit peers as well. Development offices are often small with one to two people devoted to all necessary programs and operations. Limited financial resources prevent organizations from hiring dedicated major gift staff. Meanwhile, direct mail and special events dominate staff time and energy.

Not only are these challenges unfortunate, they are ironic. Major gifts produce greater financial resources which would allow for staff expansion. And securing a major gift is less time consuming than other fundraising efforts.

So, how can an organization bridge that gap? Organization-wide commitment is critical because building a long-lasting culture of philanthropy rooted in major gifts requires a cultural shift. This shift can cause apprehension and fear as an organization looks beyond its comfort zone and known programming. However, this shift is essential in order to break a cycle of costly efforts and exhausted staff.

With a commitment to major gifts organizations can begin to plan and budget differently. Moving financial resources from direct mail into major donor development will be challenging but will allow an organization to plan for the transition. As an organization makes this cultural change and begins shifting time and human resources, it can also explore other ways to lay the groundwork for a major donor program. For example, integrating volunteers as a critical component of a major donor program will help the organization with its time and staff constraints as it moves forward.

Another challenge Catholic organizations stated in the MDS is identifying major donor prospects. As noted earlier direct mail efforts produce a vast donor pool. However, it can be difficult to identify who is capable of giving a major gift. Donor screening is the most effective way to mine a database for prospects, but for many this may not be financially possible.

This does not leave an organization without alternatives. Anyone who has given to an organization through direct mail has demonstrated an affinity for the mission. With affinity and philanthropic capacity being the two key elements to segmenting major gift prospects, culling from the direct mail pool leaves only capacity in question. A first step in tackling this question would be an analysis of giving patterns and any known demographics. Lay volunteers, staff and men and women religious outside of the development office can be valuable resources in identifying individuals, providing additional information and overcoming this hurdle.

As organizations begin their cultural shift toward creating an established major donor development program there are strategic ways to plan and move forward in appropriate increments to overcome challenges and elevate philanthropic outcomes.

BENEFITS OF MAJOR DONORS

As with any initiative that requires an investment of human and financial resources those creating or expanding their major gift efforts want to know the benefits. Here are some key ways that major donor development enhances an organization's philanthropic scope and outcomes:

Greater return on investment—major gifts produce greater net revenue than more costly and time intensive efforts like special events or direct mail.

Increased philanthropic capacity—cultivating and stewarding major donors not only produces larger first-time gifts, but creates a relationship that will lead to future, possibly greater giving from each individual.

Ability to fund new projects and needs—with the right case for support and strategic “ask”, an organization can find the funds it needs for new initiatives from a smaller number of donors.

Better positioned for initiatives like endowment or capital campaigns—an organization's best major gift prospects are those that have given in the past. A solid foundation of major donors positions organizations to raise their sights to six- and seven-figure initiatives like endowment or capital campaigns. Having a strong network of individuals capable of major gifts broadens an organization's reach to others with the same or greater philanthropic capacity.

Greater awareness amongst persons of influence and affluence—a major gift means an individual has a strong affinity for an organization. With infinity often comes a person's willingness to open doors to social, business and personal connections. People with money know people with money which leads to greater opportunity for an organization positioned to ask for major gifts.

Strong, meaningful relationships that validate mission—a major gift is an investment. Once made, the donor is proud and interested in a relationship at some level. As you steward this relationship, your donor becomes your advocate, validating the importance of who you are and what you do within your community, business and social circles, and other avenues of import.

SUMMARY

American City Bureau, Inc. initiated this survey as a means of identifying and validating perceptions of the need for and role of major gifts in the Catholic ministry of fundraising. The survey was successful in its ability to accomplish both tasks.

ACB found that there *are* similarities in need that bridge organizational size and type. There exist challenges at all levels that *can* be overcome. The winds have already begun to shift toward establishing major donor programs. Organizations need help with this transition to varying degrees and at varying levels all in an effort to establish the right foundation with the right tools. Tools, such as a case for support, data mining, volunteer involvement and training, organization-wide understanding and commitment—all contribute to a strong foundation in major donor development.

One of the most important aspects of an effective, efficient major donor program is finding an appropriate balance in the arrangement of fundraising vehicles – each element working in concert with, not detracting from, each other. Of the organizations that participated in the study, each segment employs direct mail. Each employs some form of special event and at least a percentage from major gifts and planned gifts.

One critical tool worthy of separate mention is volunteerism. Volunteers for major gift development must meet certain criteria in order to be effective. But, once the right volunteers are in place and trained, they can lead not only to higher philanthropic outcomes, but also serve as a resource to overcoming certain challenges identified in this survey.

No matter an organization's size, budget or staffing one point is certain: solidifying a culture of philanthropy *with major gifts at the core* of Catholic fundraising ministry, is necessary for long-term organizational growth and survival.

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